

**DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

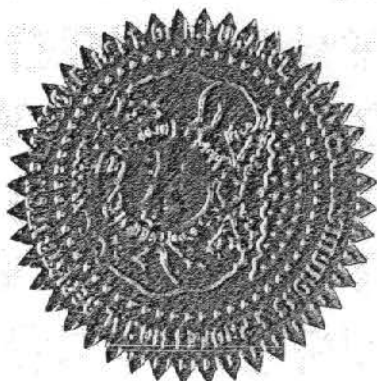
RE: Examination Report of MetLife Investors Insurance Company as of December 31, 2006

**ORDER**

After full consideration and review of the report of the financial examination of MetLife Investors Insurance Company for the period ended December 31, 2006, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Douglas M. Ommen, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER MetLife Investors Insurance Company, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

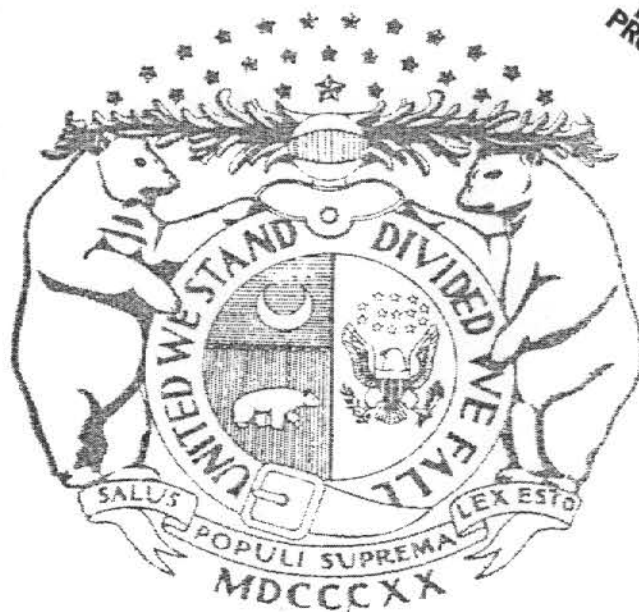
So ordered, signed and official seal affixed this May 15, 2008.



DOUGLAS M. OMMEN, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

REPORT OF  
FINANCIAL EXAMINATION

METLIFE INVESTORS INSURANCE COMPANY



**FILED**  
MAY 27 2008  
DIRECTOR OF INSURANCE  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

AS OF  
DECEMBER 31, 2006

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND  
PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 1, 2008  
St. Louis, Missouri

Honorable Alfred W. Gross, Commissioner  
Bureau of Insurance  
Virginia State Corporate Commission  
Chairman, Financial Condition (E) Committee, NAIC

Honorable Merle D. Scheiber, Director  
Division of Insurance  
State of South Dakota  
Secretary, Midwestern Zone, NAIC

Honorable Douglas M. Ommen, Director  
Missouri Department of Insurance, Financial Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Dear Sirs:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of:

**MetLife Investors Insurance Company**

hereinafter referred to as such or as "MLI-MO" or as the "Company." The Company's statutory home office is located at 13045 Tesson Ferry Road, St. Louis, Missouri, telephone number (813) 983-4100. This examination began on March 12, 2007, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The last full scope association financial examination of the Company was made as of December 31, 2002, by examiners from the state of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zones participating.

The current full scope association financial examination covers the period from January 1, 2003, through December 31, 2006, and was conducted by examiners from the state of Missouri representing the Midwestern Zone of the NAIC with no other zones participating.

This examination also included material transactions and/or events occurring subsequent to December 31, 2006.

## **Procedures**

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the state of Missouri prevailed.

## **COMMENTS PREVIOUS EXAMINATION**

The comments and recommendations of the previous examination report, made as of December 31, 2002, are listed below. The Company's response to these items and the current findings related to the 2002 comments and recommendations are also documented below.

### *Comment: Accounts and Records*

The prior examination found the Company was in violation of 20 CSR 200-4.010 (Books, Records, Accounts and Vouchers), paragraph (3) "Location of Files," which states, "All financial books, records and accounts necessary for the annual statement of a Missouri insurer must be kept in a central location. A recommendation was made that the Company establish a central location for all financial records and that an adequate audit trail be maintained.

### *Company Response:*

"MetLife Investors maintains all electronic financial records necessary to prepare its annual statement in Tampa, Florida, as required by the Missouri regulations. MetLife Investors will create an audit trail that better details the location of all supporting policy documentation and use the experience from this exam to better prepare for future exams."

### *Current Findings:*

MetLife Investors Insurance Company is part of the MetLife insurance holding company system and as such utilizes MetLife's resources which are located throughout the country. Accounting records are centralized at the Company's primary location of books and records in Tampa, Florida. At the time of the previous examination, MLI-MO's operating systems were still being integrated with MetLife's processes and procedures. As MetLife Investors Insurance Company has become better integrated with MetLife, the audit trail of supporting policy documentation has improved.

## **HISTORY**

### **General**

MetLife Investors Insurance Company was originally formed as a subsidiary of BusinessMen's Assurance Company of American and was incorporated on August 17, 1981. The Company's original name was Assurance Life Company. Insurance operations began on September 8, 1981, when the Company was issued a certificate of authority to transact business as a stock life insurance company under the provisions of Chapter 376 RSMo, "Life and Accident Insurance."



Assurance Life Company was sold to Xerox Corporation on June 28, 1985 and its name was changed to Xerox Financial Services Life Insurance Company.

On September 29, 1994, Xerox Financial Services, Inc., which owned a majority of the Company, purchased 83,356 additional shares of the Company's common stock for \$3 million. On November 18, 1994, Xerox Credit Corporation, which owned 25.7% of the Company, transferred its shares to its parent, Xerox Financial Services, Inc. After the transfer, Xerox Financial Services, Inc. owned 100% of the Company.

On June 1, 1995, Cova Corporation, a newly formed subsidiary of General American Life Insurance Company, purchased the Xerox Financial Services Life Insurance Company and changed its name to Cova Financial Services Life Insurance Company.

On January 6, 2000, the entire General American Life Insurance Company insurance holding company system became part of the Metropolitan Life Insurance Company (MetLife) insurance holding company system. MetLife acquired all the General American companies for approximately \$1.2 billion cash.

In 2001, the Company's name was changed to MetLife Investors Insurance Company.

On October 1, 2004, MetLife Investors Insurance Company was sold from COVA Corporation to MetLife, Inc. All outstanding shares of MetLife Investors Insurance Company are now owned directly by MetLife, Inc.

#### **Capital Stock and Paid In Surplus**

At December 31, 2006, the Company was authorized to issue 5,000,000 shares of common stock at a par value of \$2.00 per share. There were 2,899,446 shares of common stock issued and outstanding at December 31, 2006, for a balance of \$5,798,892 in the Company's common capital stock account.

#### **Dividends**

On June 1, 1995, as a prerequisite to the change in ownership, Cova Financial Services Life Insurance Company transferred the stock in its subsidiary, OakRe Life Insurance Company, to its parent, Xerox Financial Services, Inc., as a dividend. The dividend was recorded at the statutory book value of OakRe Life Insurance Company, \$26,368,018. No other dividends have ever been paid by the Company.

**Management**

The Company's articles of incorporation indicate that the number of directors of the corporation is to be set by the Company's bylaws. The current bylaws of the Company require nine directors. At December 31, 2006, there were nine directors serving as follows:

<b><u>Name</u></b>	<b><u>Business Affiliation</u></b>
James P. Bossert Whitehouse Station, NJ	Executive Vice President of MetLife Investors Group
Susan A. Buffum Chatham, NJ	Managing Director, Portfolio Management of MetLife Group
Michael K. Farrell New Vernon, NJ	Chief Executive Officer of MetLife Investors Group and MetLife Resources
Margaret C. Fechtmann New York, NY	Executive Vice President of MetLife Investors Group
Elizabeth M. Forget New York, NY	President-Investments, Vice President-Insurance of Met Investors Advisory LLC
George Foulke East Hanover, NJ	Vice President-Information Technology of MetLife Group
Richard C. Pearson San Marino, CA	Associate General Counsel of MetLife Group
Paul A. Sylvester Randolf, NJ	President-Annuities/Long Term Care, MetLife Investors Group
Jeffrey A. Tupper Irvine, CA	Director, Financial Management, Chief Financial Officer Organization-Institutional Business of MetLife Group



The Company's bylaws call for a chairman of the board, a president, one or more vice presidents, a secretary, a treasurer and one or more assistant secretaries. The officers serving at December 31, 2006, were as follows:

<u>NAME</u>	<u>POSITION</u>
Michael K. Farrell	Chairman of the Board, President and Chief Executive Officer
Richard C. Pearson	Executive Vice President, General Counsel and Secretary
Anthony J. Williamson	Treasurer
Matthew K. Wessel	Vice President and Chief Financial Officer
James P. Bossert	Executive Vice President
Kevin J. Paulson	Senior Vice President
Charles V. Curcio	Vice President-Finance
Brian C. Kiel	Vice President and Appointed Actuary
Debora L. Buffington	Vice President and Director of Compliance
Leonard M. Bakal	Vice President
Roberto Baron	Vice President
Garth A. Bernard	Vice President
Betty Davis	Vice President
Kenneth J. Eiger	Vice President
Gregory E. Illson	Vice President
Karen A. Johnson	Vice President
Bennett D. Kleinbert	Vice President
Christopher A. Kremer	Vice President
Lisa S. Kuklinski	Vice President
Deron J. Richens	Vice President
Henryk Sulikowski, Jr	Vice President
Marian J. Zeldin	Vice President

The bylaws of the Company give the board of directors the authority to appoint committees as they deem necessary. Committees existing at December 31, 2006, were as follows.

Executive Committee

James P. Bossert#  
Michael K. Farrell\*  
Richard C. Pearson

Audit Committee

Richard C. Pearson  
Michael K. Farrell\*  
Jeffrey A. Tupper  
James P. Bossert#

Investment Committee

James P. Bossert#  
Susan A. Buffum\*  
Michael K. Farrell  
Richard C. Pearson

\* - Chairman

# - Paul A. Sylvester replaced James P. Bossert on all committees in 2007.

The Company's Audit Committee and Investment Committee did not meet at any time during the current four year examination period and/or their meetings were not formally documented in the Board of Director's minutes. As such, the effectiveness and oversight of these committees is questionable. It is recommended that Company review its corporate governance procedures to evaluate the role these committees play in the Company's guidance. The Board should either require regular documented meetings of these committees or dissolve them and implement alternative measures for corporate guidance.

**Conflict of Interest**

Metlife, Inc. has a comprehensive Employee Code of Business Conduct and Ethics policy that applies to all employees and officers of the subsidiaries and affiliates of MetLife, Inc. The policy requires directors, officers and key employees to electronically sign business conduct certificates affirming compliance with the Code of Business Conduct standards and identify conflicts of interest. The policy requires that forms be signed annually by all directors and appointed officers. A review of certificates signed by Directors and Officers disclosed no significant conflicts of interest during the period under examination.

**Corporate Records**

The Company operates under the provisions of articles of incorporation and bylaws, which have been properly submitted to the Missouri Department of Insurance, Financial Institutions and Professional Registration. No amendments were made to the articles of incorporation or bylaws during the current examination period.

A review was made of the board of directors' meeting minutes. The minutes appear to properly support and document approval of the major corporate transactions and events for the period under examination. See comments above regarding the documentation of Audit Committee and Investment Committee activities. The board of directors acknowledged receipt of the prior examination report in the form of signed affidavits that were submitted to the Missouri DIFP.

**Acquisitions, Mergers and Major Corporate Events**

On October 1, 2004, MetLife Investors Insurance Company was sold from COVA Corporation to MetLife, Inc. All outstanding shares of MetLife Investors Insurance Company are now owned directly by MetLife, Inc.

On October 1, 2004, the Company sold its wholly owned subsidiary First MetLife Investors Insurance Company to MetLife, Inc. The Company received \$34 million in consideration. The subsidiary's statement value at the time of the sale was \$15 million.

On November 9, 2006, MetLife Investors Insurance Company of California (MLIICCA) was merged into MetLife Investors Insurance Company. The transaction was accounted for as a statutory merger. At September 30, 2006, MLIICCA had total net admitted assets of \$1,037 million and total liabilities of \$989 million. No adjustments were made directly to the surplus of MetLife Investors Insurance Company as a result of the merger.

#### **Surplus Debentures**

As of December 31, 2006, the Company did not have any surplus debentures issued or outstanding.

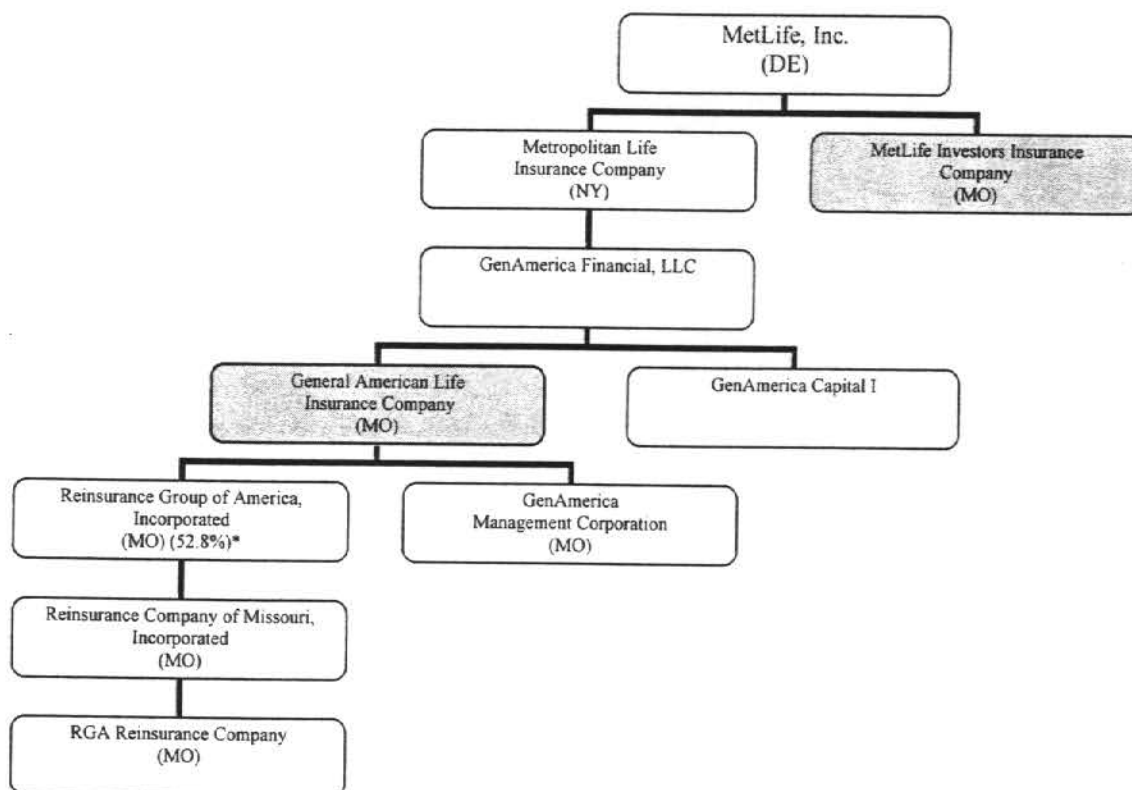
### **AFFILIATED COMPANIES**

#### **Holding Company, Subsidiaries and Affiliates**

The Company is part of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). MetLife, Inc. is the ultimate parent of the Insurance Holding Company System. MetLife Investors Insurance Company is a wholly owned subsidiary of MetLife, Inc.

#### **Organizational Chart**

The following is a small segment of the entire organizational chart and depicts those companies directly related to MetLife Investors Insurance Company and other Missouri domestic insurance companies. All companies are 100% owned by their immediate parent unless otherwise noted.



\* - General American Life Insurance Company owns 52.8% of Reinsurance Group of America, Inc.

### Affiliated Transactions

The summary below describes affiliated agreements under which expenses were incurred / (earned) in 2006. Our examination of these expenses discovered numerous errors of amounts reported on the Company's 2006 Form B Supplement. The Form B Supplement is a summary of expenses incurred/(earned) under affiliated agreements that is required as part of the annual Form B filing required by 20 CSR 200-11.101 (Insurance Holding Company System Regulation With Reporting Form and Instructions). These errors were not included individually in this examination report as they did not have a material impact on the Company's financial statement. However, the Company should take steps to ensure that amounts reported in the Form B Supplement are accurate in future filings.

1. Type: Services Agreement
- Parties: Metropolitan Life Insurance Company and subsidiaries (including MetLife Investors Insurance Company)
- Effective: Originally effective 1/1/78; MLI-MO added 5/22/2000; amended 12/1/2003
- Terms: Makes all parties of the agreement "providers" eligible to provide services to "recipient" parties of the agreement, to the extent requested by a recipient as reasonably necessary for its business and investment operations. Services include accounting, tax,<sup>1</sup> auditing, legal, actuarial, sales, electronic data processing,

communications and investment services. The agreement also allows providers to make available facilities, electronic data processing equipment, business property, communications equipment and security vaults to recipients.

Rates: Fees are calculated monthly equal to all expenses, direct and indirect, reasonably and equitably attributable to providing such services and facilities. MLI-MO incurred expenses of \$10,376,145 under this agreement in 2006.

2. Type: Services Agreement

Parties: MetLife Group, Inc. and MetLife, Inc. subsidiaries (including MetLife Investors Insurance Company)

Effective: 1/1/2003

Terms: MetLife Group, Inc. provides subsidiaries such services as requested for the conduct of its operations. MetLife Group, Inc. provides personnel, on an as needed basis, qualified to perform services including the following: legal, communications, human resources, broker-dealer, general management, controller, investment management, actuarial, treasury, benefits management, information systems and technology and claims underwriting and policyholder services.

Rates: Subsidiaries pay MetLife Group, Inc. a charge equal to all expenses, direct and indirect, including compensation and employee benefits, reasonably and equitably determined by MetLife Group, Inc. to be attributable to such subsidiary for services provided by MetLife Group, Inc. MLI-MO incurred expenses of \$24,019,501 under this agreement in 2006.

3. Type: Investment Management Agreement

Parties: MetLife Investors Insurance Company and Metropolitan Life Insurance Company (MLIC)

Effective: 1/1/2001

Terms: Metropolitan Life Insurance Company provides MetLife Investors Insurance Company with investment advisory services, portfolio management services and back-office services for all cash, cash equivalents, securities, loans contracts, investments and other property or interests in respect of MLI-MO's general account.

Rates: MLI-MO pays MLIC an annual fee in quarterly installments in arrears in an amount equal to 0.25 times the Annual Fee Rate. The Annual Fee Rate is equal to all expenses direct and indirect, reasonably and equitably determined to be attributable to MetLife Investors Insurance Company. MLI-MO incurred expenses of \$1,387,133 under this agreement in 2006.

4. Type: Principal Underwriting Agreement  
Parties: MetLife Investors Insurance Company and MetLife Investors Distribution Company  
Effective: July 25, 2001  
Terms: MetLife Investors Distribution Company (formerly General American Distributors, Inc.) acts as principal underwriter of certain flexible premium variable life insurance policies and variable annuity contracts issued by MetLife Investors Insurance Company. The underwriter enters into dealer agreements with other broker/dealers who solicit applications for policies (at their own expense) and perform all duties necessary for proper distribution of the policies.  
Rates: The underwriter receives compensation from MetLife Investors Insurance Company in amounts sufficient to pay operating expenses related to the distribution of MLI-MO policies. Such expenses are charged at cost under the terms of service agreements between the companies. MLI-MO incurred expenses of \$20,443,710 under this agreement in 2006.
5. Type: Shareholder Services Agreement  
Parties: MetLife Investors Insurance Company and MetLife Investors Distribution Company  
Effective: 1/1/2002  
Terms: MetLife Investors Insurance Company provides certain shareholder and account maintenance services to MetLife Investors Distribution Company. The agreement provides shareholder and account maintenance services for customers who are holders of certain classes of shares of the Met Investors Series Fund, which are investment options in MLI-MO's separate account variable insurance products. Services provided include: telephonic support with regard to inquiries, assistance in completing product applications, delivery of fund prospectus, providing additional customer information and assisting in investment objectives and decision making and other usual or incidental administrative services provided to customers.  
Rates: Fees are based on a percentage of average daily net assets of each class of shares relative to customers serviced. The Company earned fees of \$39,879,880 under this agreement in 2006.
6. Type: Partnership Agreement – Intermediate Income Pool  
Parties: MetLife Investors Insurance Company and Metropolitan Life Insurance Company, Metropolitan Insurance and Annuity Company, First MetLife Investors Insurance Company, MetLife Investors Insurance Company, MetLife Investors USA Insurance Company, Metropolitan Tower Life Insurance Company, New England Life Insurance



- Effective: Company and Texas Life Insurance Company  
2/1/2002
- Terms: The exclusive purpose of the partnership is to invest and reinvest the cash and assets of the partners to achieve liquidity, safety of principal and yield by investing in debt and equity securities of various issuers. Metropolitan Life Insurance Company is designated as the manager of the partnership. The partnership holds its assets solely for the benefit of each partner in proportion to each partner's pro-rata share of the partnership's assets.
7. Type: Tax Allocation Agreement
- Parties: MetLife Inc. and subsidiaries
- Effective: January 1, 2006
- Terms: MLI-MO is included in a written Tax Allocation Agreement with MetLife, Inc. Due to the elapse of the five year waiting period on January 1, 2006, the Company became a member of the MetLife, Inc. and affiliates consolidated federal income tax return. MetLife, Inc. allocates income tax expenses or benefits to members of the consolidated group based on each subsidiary's contribution to consolidated taxable income or loss using the statutory rate applicable to the consolidated group.

All of the above agreements have been appropriately filed with the Missouri Department of Insurance, Financial Institutions and Professional Registration.

#### **FIDELITY BOND AND OTHER INSURANCE**

The majority of the Company's insurance coverage is administered through MetLife Insurance Company, which purchases insurance coverage for itself and its subsidiaries. The Company is included as a named insured on a crime insurance policy with a single loss limit of \$50,000,000 and a deductible of \$5,000,000. The Company is also a named insured under MetLife's Excess Crime Insurance policy, giving it aggregate crime coverage of \$250,000,000. This coverage complies with the suggested minimum amount of fidelity insurance prescribed by the NAIC.

The Company is also covered by other insurance policies, including but not limited to: commercial general and automobile liability, directors and officers liability, property insurance and workers compensation coverage. The Company appears to be adequately protected by its insurance coverage.

## EMPLOYEE BENEFITS AND PENSION PLANS

The Company has no employees. All personnel services are provided through an affiliated company service agreement. The personnel are employed by MetLife Group, a subsidiary of MetLife, Inc. Employees receive a comprehensive benefit package, which includes health and life insurance, paid time off, educational benefits, a defined benefit retirement plan and various savings options. Benefit expenses are allocated to MetLife Investors Insurance Company through the Service Agreement with MetLife Group on a monthly basis.

## STATUTORY DEPOSITS

### Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2006, are reflected below. These deposits had sufficient par and market values to meet the deposit requirement for the state of Missouri per Section 376.290 RSMo (Trust Deposits) and Section 375.460 RSMo (Deposits with director):

<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
U.S. Treasury Note	\$ 1,500,000	\$ 1,428,930	\$ 1,452,315

### Deposits with Other States

The Company has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2006, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
Arkansas	U.S. Treasury Note	\$ 120,000	\$ 114,314	\$ 116,185
Georgia	U.S. Treasury Note	35,000	34,473	34,858
Massachusetts	U.S. Treasury Bonds	600,000	595,216	608,326
North Carolina	U.S. Treasury Bonds	400,000	432,719	413,985
New Mexico	U.S. Treasury Bond	100,000	118,844	105,926
South Carolina	U.S. Treasury Bonds	3,125,000	3,045,715	3,068,342
Virginia	U.S. Treasury Notes	560,000	542,561	548,491
<b>Total</b>		<u>\$ 4,940,000</u>	<u>\$ 4,883,842</u>	<u>\$ 4,896,113</u>

## INSURANCE PRODUCTS AND RELATED PRACTICES

### Territory and Plan of Operations

The Company is licensed under Chapter 376 RSMo "Life and Accident Insurance" to write life, annuities, endowments, accident and health, and variable contracts. The Company is licensed in the District of Columbia and all but the following states: New Hampshire and New York.

The Company markets and services single premium deferred annuities, immediate annuities, variable annuities, single premium variable life insurance and level term insurance. Most of the policies issued present no significant mortality or longevity risk to the Company, but rather represent investment deposits by the policyholders.

Under the deferred annuity contracts, MetLife Investors Insurance Company guarantees interest rates credited to policyholder purchases for periods from one to seven years with renewals set at a new rate. The Company may assess surrender fees if amounts are withdrawn before scheduled rate reset.

The Company markets its products through various distributors including regional brokerage firms, national brokerage firms and banks. The Company has no captive agents and does no direct marketing of its products.

#### **Policy Forms & Underwriting, Advertising & Sales Materials, and Treatment of Policyholders**

The Missouri DIFP has a market conduct staff that performs a review of these issues and generates a separate market conduct report. However, there has not been a market conduct examination conducted for this Company in at least ten years and there is no record of a market conduct examination by any other state in which it does business.

### **REINSURANCE**

#### **General**

Direct written, assumed and ceded premium for the current examination period was as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Direct Business	\$ 1,413,739,504	\$ 1,261,165,867	\$ 1,396,688,648	\$ 1,780,250,990
Reinsurance Assumed				
Reinsurance Ceded	<u>223,155,389</u>	<u>81,614,845</u>	<u>1,136,532,486</u>	<u>1,583,154,681</u>
<b>Net Premiums</b>	<u>\$ 1,190,584,115</u>	<u>\$ 1,179,551,022</u>	<u>\$ 260,156,162</u>	<u>\$ 197,096,309</u>

#### **Assumed**

None.

#### **Ceded**

At year-end 2006, MetLife Investors Insurance Company had fifty four reinsurance agreements in place, thirty one with unaffiliated companies and twenty three with the following MetLife affiliates; General American Life Insurance Company, RGA Reinsurance Company and Metropolitan Life Insurance Company. Of the \$894,214,856 of ceded reinsurance in-force, \$682,359,257 or 76.3% is with these affiliates. The most significant treaties relevant to in-force, premiums and reserve credits taken are listed below by reinsurer.

#### RGA Reinsurance Company

This treaty became effective August 19, 1997 and was amended January 1, 2000 to no longer accept new business under the agreement. The in-force business continues to be covered under the treaty. The treaty covers term life policies of five, ten, fifteen and twenty years plus accelerated death benefit, accidental death benefit, children's insurance and waiver of premium riders. MetLife Investors Insurance Company retains 20% of each risk up to \$50,000 for life plans and riders and an additional \$10,000 of each risk where the net amount at risk does not exceed \$60,000. This treaty accounted for \$377,984,900 or 42.3% of the 2006 ceded reinsurance in-force, but only .61% of the reserve credit taken and .02% of premiums ceded.

#### Metropolitan Life Insurance Company

This treaty became effective on January 1, 2001 and is a 90% coinsurance agreement covering single premium deferred annuity contracts (SPDAs). All new SPDAs will automatically be reinsured with no ceding commissions. This treaty accounted for 92.7% of the reserve credit taken in 2006 and 78.6% of the premium ceded.

#### Metropolitan Life Insurance Company

This is an automatic and facultative yearly renewable term agreement that became effective on March 1, 2005. It covers the quota share risks on single life and joint policies and associated riders with no ceding commissions. This treaty accounted for 23.6% of 2006 ceded reinsurance in-force and .04% of the 2006 reserve credit taken.

#### Metropolitan Life Insurance Company

This is a 100% modified coinsurance agreement that became effective December 31, 1999 and covers all individual term life and variable life insurance policies and individual fixed and variable annuities issued or renewed on or after July 25, 1999 through January 1, 2000 that were not otherwise covered under existing agreements. This agreement accounts for 1% of 2006 ceded reinsurance in-force.

## **ACCOUNTS AND RECORDS**

### **General**

The Company uses internally written client-server applications to maintain the reporting of significant operational functions such as underwriting, billing, claims and actuarial. A commercially written software system (PeopleSoft Financials) is used for general ledger, accounts payable, and human resources / payroll purposes.

### **Independent Auditor**

An independent accounting firm audits the Company annually. The Company's auditor for the year ended December 31, 2006, was Deloitte & Touche LLP. A review was made of the workpapers of the most recent CPA audit. These workpapers and reports were used in the course of this examination as deemed appropriate.

**Independent Actuary**

Reserves and related actuarial items as of December 31, 2006 were reviewed and certified for the Company by Brian C. Kiel, Vice President and Actuary, Metropolitan Life Insurance Company.

Consulting actuary, Leon Langlitz, FCAS, MAAA, of Lewis & Ellis, Inc., was retained by the Missouri Department of Insurance, Financial Institutions and Professional Registration to review the adequacy of the Company's reserves.

**Information Systems**

In conjunction with this examination, Andrew Balas, Information Systems Financial Examiner with the Missouri Department of Insurance, Financial Institutions and Professional Registration conducted a review of the Company's information systems.

**Examination Questionnaires**

Prior to the start of fieldwork of this examination, the Chief Financial Examiner of the Missouri Department of Insurance, Financial Institutions and Professional Registration mailed the Company various questionnaires to provide the starting point for the gathering information used throughout the examination process. The importance of this information was stressed to Company management. The original due date for responses to these questionnaires was November 25, 2006. This deadline was subsequently extended to no later than the start of examination fieldwork (March 15, 2007) at the request of the Company's management. Examiners requested this information upon the start of the examination and at least weekly thereafter. The Company's responses were not received until June 2007. Company management should place a higher degree of importance on the examination planning questionnaires and ensure that they are completed by the appropriate deadline for future examinations. If completed properly, this information can be used to expedite the examination process and reduce the number of requests necessary throughout the examination.

**FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2006, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the Financial Statements. The failure of any column to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the examination workpapers.

## ASSETS

	Ledger and Non- Ledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	\$ 2,021,963,014		\$ 2,021,963,014
Preferred stocks	71,111,322		71,111,322
Common stocks	1,166,066		1,166,066
Mortgage loans	89,821,791		89,821,791
Cash and short term investments	123,298,276		123,298,276
Contract loans	28,417,331		28,417,331
Other invested assets	80,393,109		80,393,109
Receivable for securities	726,782		726,782
Derivative instruments	15,271,899		15,271,899
Deposits in connection with investments	500,000		500,000
Investment income due and accrued	22,065,040		22,065,040
Premiums in course of collection	478,215	478,215	-
Deferred premiums	546,595		546,595
Amounts recoverable from reinsurers	1,820,432		1,820,432
Other amounts receivable under reinsurance	22,128,800		22,128,800
Federal and foreign income taxes	76,287,278		76,287,278
Net deferred tax asset	63,745,704	58,223,434	5,522,270
Guaranty funds receivable or on deposit	400,000		400,000
Receivable from affiliates	12,621,486		12,621,486
Miscellaneous assets	10,986,894		10,986,894
Disallowed negative IMR	1,364,538	1,364,538	-
From Separate Accounts	<u>8,756,780,570</u>		<u>8,756,780,570</u>
Total Assets	<u>\$ 11,401,895,142</u>	<u>\$ 60,066,187</u>	<u>\$ 11,341,828,955</u>



## LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$ 1,810,071,780
Liability for deposit-type contracts	97,749,409
Life policy and contract claims	7,034,263
Other amounts payable on reinsurance	7,898,632
Commissions to agents due or accrued	4,797,057
General expenses due or accrued	2,079,492
Transfers to Separate Accounts due or accrued	(236,123,199)
Taxes, licenses and fees due or accrued	11,320,600
Amounts withheld or retained by company as trustee	834,103
Remittances and items not allocated	10,223,478
Asset valuation reserve	17,445,374
Payable to affiliates	11,572,870
Payable for securities	26,869,481
Payable under securities lending program	528,749,024
Derivative instruments	564,516
From Separate Accounts	8,756,780,570
 Total Liabilities	 \$ 11,057,867,450
 Common capital stock	 \$ 5,798,892
Paid in and contributed surplus	510,125,212
Unassigned funds (surplus)	<u>(231,962,599)</u>
 Total Capital and Surplus	 \$ 283,961,505
 Total Liabilities and Capital and Surplus	 <u>\$ 11,341,828,955</u>

## SUMMARY OF OPERATIONS

Premium considerations	\$ 1,190,584,115	
Considerations for supplementary contracts	2,149,890	
Net investment income	104,635,954	
Amortization of Interest maintenance reserve	1,565,658	
Commissions on reinsurance ceded	7,309,239	
Reserve adjustments on reinsurance ceded	(21,835,686)	
Income from fees associated with Separate Accounts	143,725,677	
Management and service fee income	39,879,880	
Miscellaneous income	<u>6,725,095</u>	
Total Revenue		\$ 1,474,739,822
Death benefits	10,756,717	
Annuity benefits	147,309,300	
Surrender benefits and withdrawals for life contracts	985,489,944	
Interest on deposit-type contracts	7,055,193	
Payments on supplementary contracts	3,113,074	
Increase in aggregate reserves	(219,575,771)	
Commissions on premiums	88,799,581	
General insurance expenses	63,737,539	
Insurance taxes, licenses and fees	3,035,656	
Increase in loading on deferred and uncollected premiums	(584,703)	
Net transfers to (from) Separate Accounts	<u>345,129,136</u>	
Total Benefit Costs and Insurance Expenses		<u>1,434,265,666</u>
Gain from operations before dividends, federal income taxes and realized capital gains or (losses)		\$ 40,474,156
Federal income taxes incurred	<u>(57,315,359)</u>	
Gain from Operations after federal income taxes and before realized capital gains or (losses)		\$ 97,789,515
Net realized capital gains or (losses)	<u>18,118,355</u>	
Net Income		<u>\$ 115,907,870</u>

### CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, prior year		\$ 176,283,802
Net income	115,907,870	
Change in net unrealized captial gains (losses)	(4,698,915)	
Change in nonadmitted assets	58,717,498	
Change in net deferred income tax	(68,570,748)	
Change in liability for reinsurance in unauthorized companies	6,622,402	
Change in asset valuation reserve	(300,404)	
Examination changes	<u>-</u>	
Change in surplus as regards policyholders		<u>107,677,703</u>
Surplus as regards policyholders, December 31, 2006		<u>\$ 283,961,505</u>

## EXAMINATION CHANGES

None.

## NOTES TO FINANCIAL STATEMENTS

None.

## GENERAL COMMENTS AND/OR RECOMMENDATIONS

### Corporate Records

Page 6

The Company's Audit Committee and Investment Committee did not meet at any time during the current four year examination period and/or their meetings were not formally documented. It is noted that the Company relies on MetLife Inc.'s corporate oversight in these areas. However, the effectiveness and oversight of MetLife Investors Insurance Company's committees is questionable, seeing that they have either not met or their meetings have not been documented. It is recommended that Company review its corporate governance procedures to evaluate the role these committees play in the Company's guidance. The Board should either require regular documented meetings of these committees or implement alternative measures for corporate guidance.

### Holding Company Registration Statement Form B Supplement

Page 8

Our examination of affiliated expenses discovered numerous errors in amounts reported on the Company's 2006 Form B Supplement. The Form B Supplement is a summary of expenses incurred/(earned) under affiliated agreements that is required as part of the annual Form B filing required by 20 CSR 200-11.101 (Insurance Holding Company System Regulation With Reporting Form and Instructions). These errors were not included individually in this examination report as they did not have a material impact on the Company's financial statement. However, the Company should take steps to ensure that amounts reported in the Form B Supplement are accurate in future filings.

### Examination Questionnaires

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Company management should place a higher degree of importance on the examination planning questionnaires and ensure that they are completed by the appropriate deadline for future examinations. If completed properly, this information can be used to expedite the examination process and reduce the number of requests necessary throughout the examination.

## **SUBSEQUENT EVENTS**

The Company entered into a Loan Agreement, dated June 21, 2007 which allowed it to borrow up to \$50 million from MetLife Credit Corporation, an affiliate. This agreement provides the Company short term liquidity to meet financial commitments or to take advantage of investment opportunities. The agreement was approved by the Missouri Department of Insurance, Financial Institutions and Professional Registration.


## ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of MetLife Investors Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Richard J. Hayes, CFE, John M. Boczkiewicz, CPA, CFE, John Rehagen, CFE and Michael Gruner, CPA, AFE examiners representing the Department of Insurance, Financial Institutions and Professional Registration, participated in this examination. Andrew Balas, DIFP Information Systems Financial Examiner reviewed the Company's Information Systems. Consulting actuary, Leon Langlitz, FCAS, MAAA, of Lewis & Ellis, Inc. reviewed the adequacy of the Company's reserves.

## VERIFICATION

State of Missouri )  
 ) ss  
County of St. Louis)

I, Michael R. Shadowens, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

  
Michael R. Shadowens, CFE  
Examiner-in-Charge  
Department of Insurance, Financial Institutions  
and Professional Registration

Sworn to and subscribed before me this 9 day of April, 2008.


My commission expires:



  
Notary Public

## SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with the National Association of Insurance Commissioners procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

  
Christiana Dugopolski, CPA, CFE  
Audit Manager, St. Louis  
Department of Insurance, Financial Institutions  
and Professional Registration  
Midwestern Zone, NAIC



MetLife Investors Insurance Company  
18210 Crane Nest Drive  
Tampa, FL 33647

**MetLife®**

May 6, 2008

Frederick G. Heese, CFE, CPA  
Chief Financial Examiner  
& Acting Division Director  
Missouri Department of Insurance  
301 West High Street, Room 530  
P.O. Box 690  
Jefferson City, Missouri 65102-0690

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MAY 12 2008  
DEPT OF INSURANCE  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

Dear Mr. Heese:

This letter is in response to the Department's Report of Financial Examination as of December 31, 2006, (the "Report") concerning MetLife Investors Insurance Company (the "Company"). The report was received on April 21, 2008. Set forth below are the Report's General Comments and/or Recommendations followed by our responses to each of these comments.

**1) CORPORATE RECORDS**

The Company's Audit Committee and Investment Committee did not meet at any time during the current four year examination period and/or their meetings were not formally documented. It is noted that the Company relies on MetLife Inc.'s corporate oversight in these areas. However, the effectiveness and oversight of MetLife Investors Insurance Company's committees is questionable, seeing that they have either not met or their meetings have not been documented. It is recommended that Company review its corporate governance procedures to evaluate the role these committees play in the Company's guidance. The Board should either require regular documented meetings of these committees or implement alternative measures for corporate guidance.

**COMPANY RESPONSE:**

Given the size of the Board and the frequency of its regular Board meetings, it has been the practice of the Company to have the full Board of Directors perform the functions of the Audit Committee and Investment Committee. The full Board is comprised of 9 members and generally meets on a quarterly basis. In response to the Examination Report, we have dissolved the Investment Committee since it is not currently being utilized. The Audit Committee will remain a standing committee of the Board, and meetings will be held to the extent we believe that separate meetings of this Committee would be appropriate. For example, Audit Committee meetings would be convened, as needed, to review the status of audits of the Company's GAAP and Statutory financial statements.

## 2) FORM B SUPPLEMENT

Our examination of affiliated expenses discovered numerous errors in amounts reported on the Company's 2006 Form B Supplement. The Form B Supplement is a summary of expenses incurred/(earned) under affiliated agreements that is required as part of the annual Form B filing required by 20 CSR 200-11.101 (Insurance Holding Company System Regulation With Reporting Form and Instructions). These errors were not included individually in this examination report as they did not have a material impact on the Company's financial statement. However, the Company should take steps to ensure that amounts reported in the Form B Supplement are accurate in future filings.

### COMPANY RESPONSE:

The Company acknowledges the Department's comments regarding the Form B Supplement. Going forward, the Company will take additional steps to enable a reconciliation between the Form B supplement and the Annual Statement, as applicable, and to ensure accuracy of the amounts reported in the Form B Supplement.

## 3) EXAMINATION QUESTIONNAIRES

Company management should place a higher degree of importance on the examination planning questionnaires and ensure that they are completed by the appropriate deadline for future examinations. If completed properly, this information can be used to expedite the examination process and reduce the number of requests necessary throughout the examination.

### COMPANY RESPONSE:

The Company acknowledges the Department's comments regarding the examination planning questionnaires. The Company will take additional steps to ensure that future examination questionnaires will be completed by the established deadlines.

We would like to thank the Department and its personnel for their efforts and courtesy during the course of this examination.

Very truly yours,  
MetLife Investors Insurance Company



Michael K. Farrell  
Chairman of the Board,  
President and  
Chief Executive Officer